The Effect of Mechanisms *Good Corporate Governance* and Company Size on the Integrity of Financial Statements

(Case Study of Banking Companies Listed on the Indonesia Stock Exchange 2015-2019 Period)

1st Firda Khoirunisa, 2nd Dr. M. Anhar, M.Si., Ak., CA.

Indonesian College of Economics, Jakarta

firdakhrn@gmail.com; @ stei.ac.id

Abstract - *A good financial report is a financial report that has the integrity of the information contained. Financial report integrity is the extent to which financial statements present financial information in a fair, honest and unbiased manner. This study aims to determine the effect of institutional ownership, managerial ownership, independent commissioners, audit committee and company size on the integrity of financial statements. The population in this study are banking companies listed on the Indonesia Stock Exchange in 2015-2019. The sampling method used purposive sampling with a sample size of 14 companies. The data analysis method used is panel data regression using the Eviews application. The results showed that institutional ownership, managerial ownership and company size had no effect on the integrity of financial statements. Meanwhile, the audit committee has a significant positive effect on the integrity of financial statements. Meanwhile, independent commissioners have a significant negative effect on the integrity of financial statements.*

Keywords**:** *Institutional Ownership, Managerial Ownership, Independent Commissioners, Audit Committee, Company Size, and Financial Report Integrity*

I. Introduction

As it is known, in the era of the 21st century, there is a demand to implement *Good Corporate Governance*in the management of financial institutions, both banking and non-banking institutions. The main trigger was due to the crisis that occurred in the banking sector in mid-1997 to 2000. Efforts to restore confidence in the Indonesian banking world through restructuring and recapitalization can only have a long-term and fundamental impact if accompanied by three other important actions, namely: adherence to the precautionary principle. caution, implementation of *Good Corporate Governance*, effective supervision from the Bank Supervision Authority. One of the most important things to do is the implementation of *Good Corporate Governance*.

The emergence of cases of financial statement manipulation raises questions for various parties regarding *corporate governance* which results in the disclosure of the fact that the importance of *good corporate governance* has not been properly implemented. Financial reports can be presented with high integrity if the company implements better *corporate governance* , which is expected to reduce opportunistic or selfish corporate management behavior.

In overcoming and preventing cases of financial report fraud from recurring, it is necessary to improve a company management system which is often known as *Good Corporate Governance*. The system is expected to be one of the instruments or guidelines for top management or the *board* in managing the company in accordance with the prevailing rules, norms, culture and regulations. So that companies that have implemented *Good Corporate Governance* have little or no possibility to commit fraudulent practices and ignore the interests of other parties, especially those from outside the company.

II. LITERATURE REVIEW

2.1 Research Review

The first was done by Dewi and Putra (2016). This study was conducted to obtain empirical evidence regarding the effect ofmechanisms *corporate governance* on the integrity of financial statements. Themechanism is *corporate governance* proxied by institutional ownership, management ownership, independent commissioners and audit committee, while the variable of financial statement integrity is measured by the conservatism index. Financial report integrity is the fair, honest and unbiased presentation of financial statements. The sample in this study were manufacturing companies listed on the Indonesia Stock Exchange in 2011-2013 and used purposive sampling method. The number of samples obtained was 72 observations.

The second was carried out by Indrasari *et* al., (2016). The purpose of this study is to discuss the effect of independent commissioners, audit committee and *financial distress* on the integrity of financial statements incompanies *property* and *real estate* listed on the Indonesia Stock Exchange, either partially or simultaneously in 2005-2014. Partial research results from 2005-2014 show that only independent commissioners have an influence on the integrity of financial statements, while audit committee and *financial distress have* no effect on the integrity of financial statements. Meanwhile, simultaneously, the variable of the independent commissioner, audit committee and *financial distress* together has an influence on the integrity of financial statements. It is suggested for the next research to add new independent variables which are predicted to affect the integrity of financial statements such as independence and quality of auditors andmechanisms *good corporate governance.*

The third was carried out by Qoyyimah *et* al., (2015). The purpose of this study was to determine the effect of corporate governance, audit tenure, and size of KAP on the integrity of financial statements. The analytical method used is logistic regression analysis. The research sample consisted of 14 state-owned companies listed on the IDX from 2011 to 2014. The results show that the integrity of financial statements cannot be controlled by corporate governance, audit period and KAP size.

The fourth was carried out by Alwijaya et al., (2019). The integrity of financial reports in the transportation company sector, many of which are below the standard provisions of the IDX and many transportation sectors are not listed on the IDX. The integrity of financial statements (dependent variable) is analyzed with independent variables consisting of x1 = size of the Board of Directors, x2 = proportion of Independent Commissioners (PKI), x3 = Audit Committee (KA) and x4 = Institutional Ownership (KI). The regression result value of the F test is 2.475 with a significant value of 0.05, while the t test only has an effect on institutional ownership, namely 3.035 and significant 0.03, which means that the greater the number of institutional ownership, the better the integration of financial statements will be.

The fifth was carried out by Istiantoro *et* al., (2017). The purpose of this study is to analyze the effect of corporate governance structures on the integrity of corporate financial statements at LQ45 companies listed on the IDX in 2009-2014. The sample used in this study were 18 companies using the criteria through purposive sampling method. The data analysis used in this study is the classical assumption test and multiple linear regression using the SPSS 19.0 program. The results of this study indicate that institutional ownership has a negative and significant effect on the integrity of financial statements, managerial ownership has a positive and insignificant effect on the integrity of financial statements, the audit committee has a positive and significant effect on the integrity of financial statements, independent commissioners have a negative and insignificant effect on report integrity. finance.

The sixth was carried out by Daoud *et* al., (2015). This study explores the effect of board independence, board size, CEO duality, board persistence, board financial expertise and audit committee attendance as well as sector type on the timeliness of financial statements among Jordanian selected firms. The timeliness of financial reports is measured by audit report lag (ARL) and management report lag (MRL). This study includes 112 companies listed on the Amman Stock Exchange for 2011 and 2012. The

seventh was conducted by Kantudu *and* Samaila (2015). This study examines the impact of monitoring characteristics on the financial reporting quality of Nigerian oil marketing companies. The quality of financial reporting is represented by the qualitative characteristics of financial statements. Data for this study were obtained from audited annual reports and accounts from sample oil marketing companies for twelve years covering 2000 to 2011. Multiple regression was used to analyze data using Stata version 12.0. It was found that Power separation, independent directors, managerial shareholdings, and independent audit committees all have significant monitoring characteristics affecting the financial reporting quality of oil marketing companies cited in Nigeria.

The eighth was carried out by Onuorah et al., (2016). This paper evaluates the performance levels of several selected companies ranging from commodities, breweries, banking, oil and gas and beverages in terms of corporate governance indicators showing the quality of corporate financial reporting in Nigeria. Data were collected from 2006 to 2015. Econometric analysis was carried out and the results showed that the correlation between the indicators of corporate governance board structure (BRDSZ-size and independence-BRDID), audit quality (audit committee size (ADCMZ), external audit quality (EADTQ) as measured with auditor presence among the big-4), board experience (ie BRDEX-experience) and financial reporting quality was 93.47%. The independent variable can explain the variation in FRQDA by 54.29%. This reveals that there is a short-term relationship between audit quality (audit) committee size (ADCMZ), and external audit quality (EADTQ) as measured by the presence of auditors among the big-4) and *board experience* (i.e. experience-BRDEX) does not understand the cause of FRQDA. . It further recommends that a greater focus is on indicators of corporate governance to generate global standard financial reports in Nigeria's emerging markets for investment opportunities.

2.2 Integrity of Financial Statements

According to Alwijaya et al., (2019) the integrity of financial statements is financial statements that show the actual condition of a company, without being covered up or hidden.

Therefore, information that has high integrity has the ability to influence the decisions of readers of financial statements to assist decisions.

Report finance *Reliable* or integrity can be assessed by using the principle of conservatism. Conservatism is a principle in financial reporting which is intended to recognize and measure assets and profits which are carried out prudently because of uncertain economic and business activities. The concept of conservatism is a traditional concept, where the loss will be recognized immediately even though it has not been realized. However, when a profit occurs, the unrealized gain will not be recognized.

2.3. Institutional Ownership

Baridwan (2014) defines institutional ownership as the proportion of shares owned by an institution or institution. Share ownership is indicated by the percentage of the number of company shares owned by institutional investors. The presence of institutional ownership has an important role because institutional ownership will encourage an increase in more optimal supervision of management. Supervision of corporate governance by institutional investors is expected to encourage management to focus more attention on company performance, thereby reducing management behavior to commit fraud and ignore the interests of other parties, especially those from outside the company. Institutional investors or shareholders from outside the company are expected to be able to reduce *agency costs* by conducting effective and efficient supervision.

Institutional ownership has an influence on the integrity of financial statements (Dewi and Putra, 2016). Institutional ownership has the ability to control management through an effective monitoring process so as to reduce earnings management. The presence of high institutional ownership limits managers to manipulate data and can improve the integrity of financial statements. Based on the explanation above, the first hypothesis of this study is:

H_1 : Institutional ownership affects the integrity of financial statements.

2.4 Definition of Managerial Ownership on the Integrity of Financial Statements

According to Wati (2019: 25) Managerial ownership is the shareholders which also means in this case as owners in the company from management who actively participate in decision making in a company concerned. In the financial statements, this situation is indicated by the percentage of the company's share ownership by the manager. Managerial share ownership can help unify the interests of managers and shareholders, which means that the increasing proportion of managerial share ownership, the better the company's performance. Managerial ownership can also increase a greater sense of management responsibility in carrying out the mandate to manage the company.

Managerial ownership has an influence on the integrity of financial statements (Dewi and Putra, 2016). Managerial ownership is ownership of shares by internal parties or management who are at the same time managing the company, so that in carrying out their responsibilities they will tend to do the best. The existence of this management ownership will improve the balance of information between shareholders and management, so as to reduce the problems that arise in *agency theory*. According to this theory, the problem between principal and agent can be reduced by juxtaposing the interests of the two. Based on the explanation above, the second hypothesis of this study is:

H_2 : Managerial ownership affects the integrity of financial statements.

2.5 Definition of Independent Commissioner on Financial Statement Integrity

According to Franita (2018: 12), the board of commissioners is the core of *corporate governance* which is assigned to ensure the implementation of corporate strategy, supervise management in managing the company, and oblige accountability. The board of commissioners is central to the company's resilience and success.

Independent commissioners have an influence on the integrity of financial statements (Dewi and Putra, 2016). Independent commissioner is a part of the commissioner who is independent and acts in the interests of the company. Financial reports produced by management will tend to have integrity with the presence of independent commissioners in it, because this section functions to oversee management and protect rights outside the company. Based on the explanation above, the third hypothesis of this study is:

H_3 : Independent commissioners have an effect on the integrity of financial statements.

2.6 Definition of the Audit Committee on the Integrity of Financial Statements

According to Nurhaiyani (2018) the audit committee is a liaison between company management and the board of commissioners and other external parties. This agency is tasked with assisting the board of commissioners to ensure that financial reports are presented fairly in accordance with generally accepted accounting principles, thus the audit committee in a company can be an effort to reduce fraud in the presentation of financial statements so that the audit committee is expected to increase oversight of the action. management that allows manipulation of financial statements.

Audit committee has an influence on the integrity of financial statements (Istiantoro et al., 2017). The audit committee is a committee that has an important role in *corporate governance*. The audit committee should consist of individuals who are independent and not involved with the day-to-day duties of the management that manages the company, and who have the experience to carry out the supervisory function effectively. In accordance with the function and purpose of establishing an audit committee, one of which is to ensure that the financial statements produced are not misleading, so in some ways the existence and effectiveness of the audit committee in the company affects the quality and integrity of the financial statements produced. Based on the explanation above, the fourth hypothesis of this study is:

H_4 : The audit committee has an effect on the integrity of financial statements.

2.7 Definition of Company Size on Financial Statement Integrity

According to Verya (2017) company size is the size of a company which can be seen from the total assets, sales and market capitalization. These three measurements are often used to identify the size of a company because the greater the assets owned by the company, the greater the capital invested. The greater the sales, the greater the circulation of money in the company, and the greater the market capitalization, the company is increasingly recognized by the public.

The size of the company can be reflected in the total assets owned by the company (Putra and Lestari, 2016). This will make investors consider the size of the company before investing, because large companies are considered to have developed and have good performance. Company size is one indication in measuring the performance of a company. A large company size can reflect if the company has a high commitment to continue to improve its performance, so that the market will pay more to get its shares because it will get a profitable return from the company. Based on the explanation above, the fifth hypothesis of this study is:

H_5 : Company size affects the integrity of financial statements.

III. Research methods

3.1. Research Strategy

This research is a quantitative research because it uses data in the form of numbers. This research is a correlational study, namely a research method that aims to determine the relationship between two or more variables. Based on the level of explanation of the position of the variables, this research is causal associative, namely research that looks for a causal relationship or effect between the independent variable and the dependent variable. This study uses panel data regression analysis.

3.2. Population and Research Sample

The population used in this study were 43 banking companies listed on the Indonesia Stock Exchange in the 2015-2019 period. In this study, sampling using *purposive sampling technique*, namely sampling based on certain criteria in accordance with the objectives of the study.

Table 3.1 Sampling Criteria

No	Keterangan	Total Perusahaan
1	Banking Company listed on the Indonesia Stock Exchange in 2015-2019.	43
2	Companies that do not publish financial reports in 2015-2019.	(10)
3	Banking Companies that do not have complete data in 2015-2019	(19)
Nimber of samples		14
Total Data		70

3.3 Operational Research Variables

a. Financial Report Integrity The

integrity of financial statements is measured using a conservatism index. Measurement of the conservatism index using the Beaver and Ryanmodel *(Market to Book Value)*. The level of conservatism in the financial statements where the asset value *understatement* and theobligation *overstatement of the* can be determined by using the *market to book ratio. Market to book ratio* that reflects the market value relative to the company's book value. Ratios with a value of more than 1 indicate a conservative accounting application because the company records that the company value is lower than its market value.

b. Institutional Ownership Institutional

ownership is ownership of shares by other institutions or institutions that come from outside the company. Institutional investors are one of the supervisory mechanisms that are expected to be able to supervise effectively and encourage management to focus more on improving company performance.

c. Managerial Ownership Managerial

ownership is the proportion of shares owned by management who actively participate in making company decisions, including directors and commissioners.

d. Independent

Commissioner An independent commissioner is a member of the board of commissioners who comes from outside the issuer and functions to supervise and assess the company's performance more broadly and comprehensively and is expected to be able to link information asymmetry that occurs between *stakeholders* and company management.

e. Audit

Committee The audit committee is a committee formed by the board of commissioners to assist them in supervising the board of directors or company management and ensuring that the company is managed in a fair and good manner without violating regulations that can harm various parties.

f. Company Size

Firm size can be measured by the natural logarithm (*Ln*) of total assets. Total assets inassets *ln* because generally totalamount to billions or even trillions of rupiah, while other variables are in percentage units, so total assets must be *ln* for interpretation.

IV. RESEARCH RESULTS AND DISCUSSION

4.1 Descriptive Statistical Analysis

Based on the descriptive statistical analysis, the following are the descriptive statistics for each operational variable.

Table 4.1. Descriptive Statistical Analysis

	ILK	KI	KM	DK	KA	UP
Mean	3.518941	0.706242	0.051221	0.610850	3.614286	18.68239
Median	2.939753	0.688799	0.024733	0.625000	3.000000	17.23095

Maximum	22.02043	0.950303	0.594047	1.000000	5.000000	30.18827
Minimum	0.117809	0.168174	1.35E-05	0.333333	3.000000	13.29526
Std. Dev.	3.439820	0.179417	0.081186	0.142276	0.707985	4.095212
Skewness	3.082229	-0.466427	4.413769	0.781193	0.700827	1.491193
Kurtosis	15.06470	2.674689	29.59025	4.155344	2.274327	4.846364
Jarque-Bera	535.3765	2.846798	2289.487	11.01296	7.266110	35.88574
Probability	0.000000	0.240894	0.000000	0.004060	0.026435	0.000000
Sum	246.3258	49.43691	3.585461	42.75952	253.0000	1307.767
Sum Sq. Dev.	816.4332	2.221140	0.454787	1.396725	34.58571	1157.183
Observations	70	70	70	70	70	70

The smallest orvalue of integrity of financial statements *minimum* is PT. Bank Rakyat Indonesia Agroniaga Tbk in 2015 amounted to 0.117809, the greatest orvalue of integrity of financial statements *maximum* is PT. Bank Maspion Indonesia Tbk in 2015 amounted to 22.02043, the average or *mean value* was 3.518941 and the standard deviation was 3.439820. The average value of integrity of financial statements is 3.518941. These results indicate that the *mean* (average) value is greater than the standard deviation value, the deviation of data integrity of financial statements can be said to be relatively good. The smallest orinstitutional ownership value *minimum* is PT. Bank China Construction Bank Indonesia Tbk in 2015 amounted to 0.168174, the largest orinstitutional ownership value *maximum* is PT. Bank Ina Perdana Tbk in 2016 was 0.950303, the average or *mean value* was 0.706242 and the standard deviation was 0.179417. The average value of institutional ownership is 0.706242, indicating that the shares owned by the institution in the sample companies are 70.62% of the total shares outstanding. The smallest ormanagerial ownership value *minimum* is PT. Bank Danamon Indonesia Tbk in 2019 amounted to 0.000139, the largest ormanagerial ownership value *maximum* is PT. Bank China Construction Bank Indonesia Tbk in 2015 amounted to 0.594047, the average or *mean value* was 0.052985 and the standard deviation was 0.080485. The average managerial ownership value of 0.052985 indicates that the shares owned by management in the sample company are 5.29% of the total shares outstanding. The smallest orvalue of independent commissioners *minimum* is PT. Bank China Construction Bank Indonesia Tbk in 2018 amounted to 0.330000, the value of the largest orindependent commissioner *maximum* is PT. Bank Rakyat Indonesia Agroniaga Tbk in 2015 and PT. Bank Nationalnobu Tbk from 2017 to 2019 is 1.000000, the average or *mean value is* 0.612143 and the standard deviation is 0.142604. The average value of independent commissioners is 0.612143, indicating that the number of independent commissioners in the sample companies is 61.21% of the total number of commissioners. The smallest oraudit committee value *minimum* is PT. Bank Rakyat Indonesia Agroniaga Tbk, PT. Bank Capital Indonesia Tbk, PT. Bank Central Asia Tbk, PT. Bank Mestika Dharma Tbk, PT. Bank Sinarmas Tbk, PT. Bank China Construction Bank Indonesia Tbk and PT. Bank OCBC NISP Tbk amounting to 3.000000, the largest oraudit committee value *maximum* is PT. Bank Nationalnobu Tbk and PT. Bank Woori Saudara Indonesia 1906 Tbk amounted to 5,000000, the average or *mean value* was 3.628571 and the standard deviation was 0.725747. The average value of the audit committee is 3.628571 indicating that the number of audit committees in the sample companies is 3 to 4 people on average. The smallest orcompany size value *minimum* is PT. Bank Central Asia Tbk in 2015 amounted to 13.29526, the largest orcompany size value *maximum* is PT. Bank Mestika Dharma Tbk in 2019 amounted to 30.18827, the average or *mean value* was 18.68239 and the standard deviation was 4.095212. The average company size value is 18.68239.

4.2. Classical Assumption Test

1. Multicollinearity

Test This test uses the *variance inflection factor* (VIF) to test for the presence or absence of a correlation.

Table 4.2 Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	7.838340	68.65789	NA
KI	9.723306	45.18268	2.702453
KM	29.23074	2.335212	1.663474
DK	7.640714	26.30836	1.335405
KA	0.423739	50.31907	1.833847
UP	0.013065	41.83584	1.891866

Shows that all independent variables have a VIF value seen through the *centered vif* which is smaller than 10, this means that Ho is accepted so that there is no multicollinearity between the independent variables

2. Heteroscedasticity Test

Test whether there is an error variance across identical individuals, not only due to time (t) but also due to inter-company (i).

4.3 Heteroscedasticity Test *Cross-Section Test*

	Value	df	Probability
Likelihood ratio	136.7509	14	0.0000

Shows the value *likelihood ratio* of 136.7509 which has a probability value of 0.0000 <0.05, these results indicate that the *error* has heteroscedasticity symptoms.

4.4 Uji Heteroskedastisitas *Period Test*

	Value	df	Probability
Likelihood ratio	42.60248	14	0.0001

Shows the value *likelihood ratio* of 42.60248 which has a probability value of 0.0001 <0.05, these results indicate that the *error* has heteroscedasticity symptoms.

3. Correlation Test

The correlation test in this study is to measure the error between companies and to measure the error between times whether they influence each other or not.

Table 4.5 Autocorrelation Test Results

N	K	d_L	d_U	D	$4-d_U$	$4-d_L$	Conclusion
70	5	1,4637	1,7683	1,914267	2,2317	2,5363	There is positive or negative autocorrelation

Based on the results of the autocorrelation test with Durbin-Watson (DW), it shows that the value of d is 1.914267. While the value of d_L is 1.4637. In this case, if seen from the predetermined basis of decision making, the value of d is between the d_U and $4-d_U$ values, namely 1.7683 <1.914267 <2.2317 (d_U <d <d_L). So it can be concluded that there is positive or negative autocorrelation.

Table 4.6 Results *Cross Corelation*

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	160.0429	91	0.0000
Pesaran scaled LM	5.117797		0.0000
Pesaran CD	1.202873		0.2290

The Breusch-Pagan LM value is 0.0000 <0.0500, which indicates that there is arelationship cross-correlation. To overcome autocorrelation in themethod, random effect modelan estimate was carried out using a white cross section.

4.3 *Selection of Estimation Model*

1. *Chow test Chow*

Test is used to determine the common effect model or fixed effect model that is most appropriate to use in estimating panel data.

Table 4.7 Chow test

Redundant Fixed Effects Tests
Equation: FEM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.344720	(13,51)	0.0010
Cross-section Chi-square	43.160389	13	0.0000

The *cross section value of the chi-square is* 0.0000 which is smaller than significant, namely 0.05. The hypothesis in determining this model is if the *cross section chi-square* value is <a significant value of 0.05, the model chosen is the *fixed effect model.*

2. Hausman Test

The Hausman test is used to choose which model approach is in accordance with the actual data, where the forms of approach to be compared in this test are the *fixed effect model* and the *random effect model.*

Table 4.8 Hausman test

Correlated Random Effects - Hausman Test
Equation: REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.882546	5	0.1138

Value of the *random cross section* is 0.1138 (greater than 0.05), so the model chosen is the *random effect model.*

1. Panel Data Regression Analysis

Hypothesis testing with panel data regression was carried out using the E-Views program. After carrying out the Hausman test, it can be seen that the appropriate approach used in this study is the *Random Effect Model* in addition, because the classical assumption test results show that the research data shows symptoms of heteroscedasticity caused bydata *cross section, period tests,* autocorrelation and *cross correlation.* Then the panel data regression estimation is done using the *white cross section.*

Table 4.9 Results of Panel Data Regression Analysis The

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.732327	3.977482	-2.195441	0.0318
KI	-7.375513	6.358944	-1.159864	0.2504
KM	-4.235029	5.638142	-0.751139	0.4553
DK	-3.202249	1.525190	-2.099573	0.0397
KA	3.967647	1.679721	2.362087	0.0212
UP	0.283313	0.171497	1.652004	0.1034
Effects Specification				
			S.D.	Rho
Cross-section random			1.681234	0.3430
Idiosyncratic random			2.326659	0.6570
Weighted Statistics				
R-squared	0.304742	Mean dependent var		1.851888
Adjusted R-squared	0.250425	S.D. dependent var		2.767671
S.E. of regression	2.396193	Sum squared resid		367.4715
F-statistic	5.610443	Durbin-Watson stat		1.581163

Prob(F-statistic)	0.000239		
	Unweighted Statistics		
R-squared	0.335858	Mean dependent var	3.518941
Sum squared resid	542.2274	Durbin-Watson stat	1.071565

Constant value of the regression equation model is -8.732327. If INST, MANJ, KOIN, KODIT and SIZE are zero, the integrity value of the financial statements is -8.732327. The integrity value of financial statements of more than 1 indicates that the implementation of high conservative financial statement integrity in the company (Fajaryani, 2015). The institutional ownership variable has a regression coefficient of -7.375513. Institutional ownership has a negative effect on the integrity of financial statements as measured by *Market to Book Value.* Every 1% increase in institutional ownership, it will be followed by a decrease in the integrity of the financial statements of -7.375513, assuming the conditions of other independent variables (managerial ownership, independent commissioners, audit committee and company size) are constant. Managerial ownership variable has a regression coefficient of -4.235029. Managerial ownership has a negative effect on the integrity of financial statements as measured by *Market to Book Value.* Every 1% increase in managerial ownership will be followed by a decrease in the integrity of the financial statements of -4.235029 with the assumption that the conditions of other independent variables (institutional ownership, independent commissioners, audit committee and company size) are constant. The independent commissioner variable has a regression coefficient of -3202249. Independent commissioners have a negative effect on the integrity of financial statements as measured by *Market to Book Value.* Every 1% increase in independent commissioners will be followed by a decrease in the integrity of the financial statements of -3202249 with the assumption that the conditions for other independent variables (institutional ownership, managerial ownership, audit committee and company size) are constant. The audit committee variable has a regression coefficient of 3.967647. The audit committee has a positive effect on the integrity of financial statements as measured by *Market to Book Value.* Every time there is an increase of 1 person in the audit committee, it will be followed by an increase in the integrity of the financial statements of 3,967647 with the assumption that the conditions of the other independent variables (institutional ownership, managerial ownership, independent commissioners and company size) are constant. The firm size variable has a regression coefficient of 0.283313. Company size has a positive effect on the integrity of financial statements as measured by *Market to Book Value.* Every 1% increase in company size will be followed by an increase in the integrity of the financial statements of 0.283313 with the assumption that the other independent variables (institutional ownership, managerial ownership, independent commissioners and audit committee) are constant.

4.4 Hypothesis testing

1. T test (partial test)

t test in this study is used to determine the effect of each independent variable partially on the dependent variable.

Table 4.10 t test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.732327	3.977482	-2.195441	0.0318

KI	-7.375513	6.358944	-1.159864	0.2504
KM	-4.235029	5.638142	-0.751139	0.4553
DK	-3.202249	1.525190	-2.099573	0.0397
KA	3.967647	1.679721	2.362087	0.0212
UP	0.283313	0.171497	1.652004	0.1034

INST has a probability value (0.2504)> significant value (0.05) then H_o rejected orH_A accepted means INSTdid not significantly affect the integrity of the financial statements. Manj has a probability value (0.4553)> significant value (0.05) then H_o rejected orH_A accepted means Manjdid not significantly affect the integrity of the financial statements. KOIN has a probability value (0.0397) <value significantly (0.05) then H_o accepted orH_A rejected means KOINsignificant effect on the integrity of financial statements. KODIT has a probability value (0.0212) <value significantly (0.05) then H_o accepted orH_A rejected means KODITsignificant effect on the integrity of financial statements. SIZE has a probability value (0.1034)> significant value (0.05) then H_o accepted orH_A rejected means SIZEdid not significantly affect the integrity of the financial statements.

2. The coefficient of determination (R2)

If the value of R^2 Small means that the ability of the independent variables to explain the dependent variable is limited. Conversely, when the value of R^2 close to 1 (one) indicates independent variables give the stronger of the dependent.

Table 4.11 coefficient of determination (R2)

R-squared	0.304742	Mean dependent var	1.851888
Adjusted R-squared	0.250425	S.D. dependent var	2.767671
S.E. of regression	2.396193	Sum squared resid	367.4715
F-statistic	5.610443	Durbin-Watson stat	1.581163
Prob(F-statistic)	0.000239		

Adjusted R-squared of 0.304742 or 30.47%, this means that 30.47% of the variation in the integrity of financial statements can be explained by independent variables, namely institutional ownership, managerial ownership, independent commissioners, audit committee and company size, while the remaining 69.53% is explained by variables. other than the research variables.

4.5 The Effect of Institutional ownership on the Integrity of Financial Statements

The results showed that the institutional ownership variable had no effect on the integrity of financial statements in banking companies for the 2015-2019 period. So that the first hypothesis (H_1) which states that institutional ownership has an effect on the integrity of financial statements is rejected, because the data is not in accordance with the expectations in the study. This means that the size of the proportion of institutional ownership does not affect the integrity of the financial statements made.

4.6 The Effect of Managerial Ownership on the Integrity of Financial Statements

The results show that managerial ownership has no effect on the integrity of financial statements in banking companies for the 2015-2019 period. So the second hypothesis (H_2) which states that managerial ownership has an effect on the integrity of financial statements is rejected, because the data do not match the expectations in the study. This is because managerial ownership does not play a role in limiting deviant behavior from company management and shows that management is not performing its function properly. This can occur due to the nature of managers who prioritize personal interests and the opportunities given to them in managing the company.

4.7 The Effect of Independent Commissioners on the Integrity of Financial Statements

The results showed that the independent commissioner variable had a negative effect on the integrity of financial statements in banking companies for the 2015-2019 period. So the third hypothesis (H_3) which states that independent commissioners have an effect on the integrity of financial statements is accepted. This means that the proportion of independent commissioners is large or small, the integrity of the financial statements they produce can be high or low.

4.8 The Effect of the Audit Committee on the Integrity of Financial Statements

The results showed that the audit committee variable had a positive effect on the integrity of financial statements in banking companies for the 2015-2019 period. So the fourth hypothesis (H_4) which states that the audit committee has an effect on the integrity of the financial statements is accepted. This means that the greater the number of members of the audit committee, the greater the integrity of the financial statements and vice versa, the smaller the number of members of the audit committee, the smaller the integrity of the financial statements will be.

4.9 The Effect of Company Size on the Integrity of Financial Statements

The results show that the variable company size has no effect on the integrity of financial statements in banking companies for the 2015-2019 period. So the fifth hypothesis (H_5) which states that company size has an effect on the integrity of financial statements is rejected, because the data does not match the expectations in the study. This is because the larger the size of the company does not mean the company is more conservative in preparing financial reports, so that the financial statements do not reflect the actual financial conditions.

V. Conclusions and Suggestions

5.1 Conclusions

Based on the results of the research that has been done, the following conclusions can be drawn:

1. Institutional ownership has no effect on the integrity of financial statements in banking companies listed on the Indonesia Stock Exchange in the 2015-2019 period.

2. Managerial ownership has no effect on the integrity of financial statements in banking companies listed on the Indonesia Stock Exchange for the period 2015-2019.

3. Independent commissioners have a negative and significant effect on the integrity of financial statements in banking companies listed on the Indonesia Stock Exchange for the period 2015-2019.

4. The audit committee has a positive and significant influence on the integrity of financial statements of banking companies listed on the Indonesia Stock Exchange for the period 2015-2019.

5. Company size has no effect on the integrity of financial statements of banking companies listed on the Indonesia Stock Exchange for the period 2015-2019.

5.2 Suggestions

The suggestions that can be given by the author after doing this research are:

1. For future researchers, it is advisable to add other independent variables such as leverage, etc. which were not tested in this study related to the integrity of financial statements.

2. For further researchers, it is hoped that they can expand the research subject so that the scope is wider, such as companies in the manufacturing sector, the consumption sector. As well as adding to the latest period in observations that will be used in research.

3. It is hoped that further research will be able to provide much better research results than previous studies.

5.3 Limitations of Research and Further Research Development

In conducting this research there are several limitations that may affect the results of the study or in the interpretation of the results of the study. The limitations are, namely:

1. The data used in this study is limited to banking companies, so it does not represent all companies listed on the Indonesia Stock Exchange.

2. The data used are only the financial statements of banking companies for the period 2015 to 2019.

REFERENCES

Alwijaya et. al. 2019. The Influence of *Corporate Governance* on Financial Statements in the Transportation Sector. *Journal of Humanities*, Accreditation 28 / E / KPT / 2019, Vol. 3 No. 2, October 2019: 110-117. ISSN: 2548-9585.

Baridwan. 2014. *Intermediate Accounting 8th Edition*, Yogyakarta: BPFE.

Daoud. et. al. 2015. The Impact of Internal Corporate Governance on The Timeliness of Financial Reports of Jordanian Firms: evidence using audit and management report lags. *Mediterranean Journal of Social Sciences*, Vol. 6 No. 1.

Detik Finance. *OJK Starts Checking Revised Bank Bukopin's Financial Statements*. Downloaded on 28 September 2019, http://www.finance.detik.com

Dewi and Putra. 2016. The Effect ofMechanisms *Corporate Governance* on the Integrity of Financial Statements. *Udayana University Accounting Journal*, Accreditation No. 23 / E / KPT / 2019. Vol. 15.3. June (2016): 2269-2296. ISSN: 2302-8556.

Fajaryani. 2015. Analysis of Factors Affecting the Integrity of Financial Statements (empirical study of mining companies listed on the Indonesian stock exchange for the period 2008 2013). *Nominal Journal*, 4 (1).

Fajar and Nurbaiti. 2020. The Effect of *Corporate Governance* and Company Size on the Integrity of Financial Statements. *Journal of Management Partners.* Vol. 4, No. 6, 843-855. ISSN: 2614-0365.

Franita. 2018. *Mechanism Good Corporate Governance and Company Value*. Medan: Aqli

Ghozali. 2018. *Multivariate and Econometric Analysis: Theory, Concepts and Applications with Eviews 10.* Semarang: Diponegoro University.

Halim, A. 2015. *Auditing (Basics of Financial Statement Audit).* Yogyakarta: UPP STIM YKPN.

Hsio, C. 2014. *Analysis Of Panel Data Third Edition.* United States Of America: Cambridge University Press.

Indrasari. et. al. 2016. The Influence of Independent Commissioners, Audit Committee, and *Financial Distress on the* Integrity of Financial Statements. *Journal of Accounting*, Accreditation No. 1 / E / KPT / 2015, Vol 20 No. 01, January 2016: 117-113 ISSN: 1410 3591.

Istiantoro. et. al. 2017. The Effect ofStructure on the *Corporate Governance* Integrity of Corporate Financial Statements at LQ45 Companies Listed on the IDX. *AKUNTABEL Journal*, *Accredited* No. 21 / E / KPT / 2018. Vol 14, No. 2 2017 ISSN: 0216-7743.

Kantudu and Samaila. 2015. Board Characteristics, Independent Audit Committee and Financial Reporting Quality of Oil Marketing Firms Evidence from Nigeria. *Journal of Finance, Accounting & Management*. Vol. 6 Issue 2, p34-50. 17p. 1 Chart.

National Committee onPolicy *Governance* (KNKG). 2010. *General Guidelines Good Corporate Governance.*

Mulyadi. 2011. *Auditing Book I.* Jakarta: Salemba Empat.

Nurhaiyani. 2018. The Influence of *Corporate Governance*, *Leverage* and Other Factors on Non-Financial Firm Value. *Journal of Business and Accounting*, Accreditation No.23 / E / KPT / 2019, Vol. 20 No. 2, December 2018. ISSN: 1410-9875.

Onuorah. 2016. Corporate Governance and Financial Reporting Quality in Selected Nigerian Company. *International Journal of Management Science and Business Administration*. Vol 2, Issue 3, February 2016, Pages 7-16.

Financial Services Authority Regulation Number 33 / POJK.04 / 2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies.

Son, AA. N. D and PV Lestari. 2016. The Effect of Dividend Policy, Liquidity, Profitability, and Company Size on Firm Value. E-Journal of Management Unud. Vol. 5, No.7, 2015.

Qoyyimah. et. al. 2015. The Effect ofStructure *Corporate Governance*, Audit Tenure andSize Public Accounting Firm(KAP) on the Integrity of Financial Statements. *Journal of Review Accounting and Financial*, *Accredited* No. 10 / E / KPT / 2019, Vol.5 No.2, October 2015 Pp 781,790 ISSN: 2088068.

Siahaan, SB 2017. Effect of *Good Corporate Governance* and Quality of Public Accountants on the Integrity of Financial Statements Case Studies on Manufacturing Companies Listed on the Indonesia Stock Exchange. *Journal of Accounting and Methodist Finance.* Vol 1, Number 1, 2017, 81-95. ISSN: 2599-0136.

Sugiyono. 2017. *Quantitative, Qualitative, and R & D Research Methods*. Bandung: Alfabeta, CV.

Tempo. *In SNP Finance case, Ministry of Finance Imposes Sanctions on Deloitte Indonesia.* Downloaded on April 13, 2020, http://www.bisnis.tempo.co

Law No. 8 of 1995 concerning *"Capital Market"*.

Verya. 2017. Analysis of the Influence of Company Size, *Leverage* and *Good Corporate Governance on the* Integrity of Financial Statements (Empirical Study of Manufacturing Companies Listing on the Indonesia Stock Exchange for the Period of 2012-2014). *JOM Fekon*, 4 (1) February 2017.

Wati. 2019. *The Corporate Social Responsibility (CSR) Model*. East Java: Myria Publisher.

Yulinda. 2016. The Influence of Independent Commissioners, Audit Committee, *Leverage*, Auditor Turnover, and Auditor Industry SpecializationIntegrity on Financial Report(Empirical Study on Manufacturing Companies Listed on IDX 2010-2013). *JOM Fekon*, 3 (1) February 2016.

www.idx.co.id

www.finance.yahoo.com